

# DIRECTORS, OFFICERS & COMPANY LIABILITY

A.K.A. BUSINESS LIABILITY



## INSURABLE COSTS INCLUDE:

- Legal Fees (*for both the Board Members and the Company*)
- Damages (*including some **limited** Punitive Damages*)
- Settlements (which include the plaintiff's attorney expenses)

## SUMMARY OF PRODUCT

Directors & Officers (also known as "D&O") is better described as **Business Liability**. It is a Policy designed to cover the Business managers for their **Personal** Liability arising from the economic loss suffered by 3rd parties as a result of the business governance decisions made by the D's & O's.

### WRONGFUL ACT DEFINED:

*any actual or alleged error, omission, misleading statement, misstatement, neglect, breach of duty or act allegedly committed or attempted.*

## REQUIRED INFORMATION TO SECURE A D&O QUOTE:

1. Completed, signed and dated D&O application (available upon request)
2. Current financial statements (Balance Sheet/Income Statement).
3. Budgets, Pro-forma financials and/or details of capitalization for Start-up companies that don't have financial statements.
4. List of Directors and Officers
5. By-Laws or Operating Agreement (if available)



## LIMIT OF LIABILITY

Limit capacity for a single policy \$1,000,000 to \$20,000,000.

Additional capacity available for qualified risks.

## PREMIUMS

Minimum premium: \$5,000 annually for Privately held companies with no prior D&O coverage.

## INSURABLE EVENTS INCLUDE:

- A. **Suits from Competitors**
  - Anti-Competitive Business Practices
  - Intellectual Property theft
  - Tortious Interference of a Business Relationship
  - Employee Pirating
- B. **Suits from Vendors / Creditors / Customers / Employees**
  - Fraud or abuse
  - Financial misrepresentation
  - Failure to disclose material information
  - Misuse of funds
  - Waste or neglect of assets
  - Failure to supervise or manage the organization
- C. **Suits from Shareholders (Major Shareholder v. Minor Shareholder)**
  - Buy-out of Minority SH by Majority SH (Major SH bought Minors out then went Public)
  - Freeze-out Merger (Major SH arranges a merger which affects Minor SH)
  - Sale of Company Assets to entities controlled by Major SH
  - Failure of Principal to select adequate successor
- D. **Regulatory Actions**
  - HIPAA Violations
  - Tax code violations
  - False Claims
  - Non-Compliance with State or Federal guidelines